

AUDITED FINANCIAL STATEMENTS

AUGUSTA-ROSS DISTRICT LIBRARY

December 31, 2004

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1988, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Augusta-Ross District Library	County Kalamazoo
Audit Date 12/31/2004	Opinion Date 6/6/2005	Date Accountant Report Submitted to State: 6/10/2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

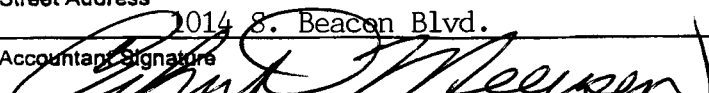
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Calvin Meeusen Company, C.P.A., PLLC			
Street Address 1014 S. Beacon Blvd.	City Grand Haven	State MI	ZIP 49417
Accountant Signature 			

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**CALVIN MEEUSEN COMPANY, C.P.A., PLLC**

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**INDEPENDENT AUDITOR'S REPORT**

Augusta-Ross District Library  
Augusta, Michigan

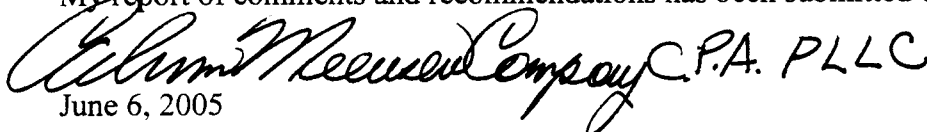
I have audited the accompanying financial statements of the government activities and the discretely presented component unit of the Augusta-Ross District Library, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Augusta-Ross District Library's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements listed in the table of contents present fairly in all material respects, the financial position of the governmental activities and the discretely presented component unit of the Augusta-Ross District Library at December 31, 2004, and the results of the operations of such activities for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

My report of comments and recommendations has been submitted under date of June 6, 2005.

 C.P.A. PLLC  
June 6, 2005

Augusta-Ross District Library  
Management's Discussion and Analysis  
December 31, 2004

Using this Management's Discussion and Analysis

This annual report is intended to supplement the Library's financial statements. The "look" of the financial statements has changed due to the Library's adoption of the GASB 34 accounting pronouncement. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library and present a longer-term view of the Library's finances. Fund financial statements (i.e. the Statement of Governmental Fund Revenue, Expenditures and changes in Fund Balance and the Governmental Fund Balance Sheet) tell how these services were financed in the short-term, as well as what remains for future spending.

The Library as a Whole

The Library's total net assets are \$325,161 as of December 31, 2004. Unrestricted net assets, which represent net assets that can be used to finance day to day operations, comprise 49% of that total. The current level of unrestricted net assets for our governmental activities stands at \$159,813 (or about 113% of current year operating expenditures). Board designated net assets of \$43,000 are for future building projects. The balance of net assets (\$165,348) is capital assets net of related debt.

Comparative data is not required during the first year of reporting under the requirements of GASB 34. Therefore, a comparative statement of net assets and statement of activities is not part of the Management's Discussion and Analysis.

The Library's net assets continue to remain healthy. The library has enough cash to fund normal operating expenses for the next eleven months.

Governmental Activities

The Library's total revenues in the General Fund were \$131,883, a decrease from the prior year of just over 13%. Property tax revenue from the district library millage, which contributes 74% of the total revenue, increased by 2.9% over the last year. Contributions income decreased by 30% from the prior year.

General Fund expenditures increased this year due to increases in several areas, including wages, books and related materials, supplies and utilities. This is attributable mostly to significant wage increase in lieu of fringe benefits, the demand of multiple media formats (cds, dvds, videos, magazines, audio books and titles for children and adults) and rising costs of supplies and energy bills.

Other factors in the growth of expenditures were due to the outlay of funds for maintenance of the building in the form of repairs (re-insulating, brick work and technology updates).

Augusta-Ross District Library  
Management's Discussion and Analysis  
December 31, 2004

The Library's Funds

An analysis of the Library's General Fund follows the notes to the financial statements. The fund financial statements provide detail information about the most significant funds, not the Library as a whole. The Library Board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities. The Library's major fund for 2004 is the General Fund.

The General Fund pays the Library's general operating expenditures. The most significant are salaries and wages of approximately \$73,495 for the fiscal year.

General Fund Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events during the year. The significant changes were to increase repairs and maintenance by \$5,550 for the upkeep of the outside of the building to a low maintenance facade. Library expenditures overall stayed below budget, resulting in total expenditures of \$23,577 below budget. The General Fund's fund balance decreased from \$168,768 a year ago to \$159,813 at December 31, 2004.

Budget adjustments were made to address costs and expenditures for the year. Repairs and maintenance on the 38 year old building and grounds were the most significant, which included re-insulation, landscape work, painting, and technology updates in wiring the building.

Capital Asset and Debt Administration

At December 31, 2004 the Library had \$407,558 invested in a broad range of capital assets, buildings, books and other collections, and furniture and equipment.

Economic Factors and Next Year's Budgets and Rates

The Library's budget for the next fiscal year projects property taxes, which is the largest source of revenue, to remain approximately the same as the current year. State aid, including penal fines, is a budgetary concern at this time. The State of Michigan has experienced significant budgeting problems and as they look for solutions, state aid may decrease. Salaries, which remain as the largest expenditure, will continue to increase slightly.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons and other interested parties with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact us at (269) 637-2403.

Augusta-Ross District Library  
Governmental Funds Balance Sheet/Statement of Net Assets  
December 31, 2004

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets	Component Unit Expendable Trust
<b>Assets</b>				
Cash	\$ 138,734	\$ -	\$ 138,734	\$ -
Investments	-	-	-	168,909
Receivables:				
Taxes	101,518	-	101,518	-
Interest	1,911	-	1,911	-
Refund	19,397	-	19,397	-
Property, plant and equipment	-	165,348	165,348	-
Total assets	<u>\$ 261,560</u>	<u>\$ 165,348</u>	<u>\$ 426,908</u>	<u>168,909</u>
<b>Liabilities</b>				
Accounts payable	\$ 229	\$ -	\$ 229	\$ -
Deferred revenue	101,518	-	101,518	-
Total Liabilities	<u>\$ 101,747</u>	<u>\$ -</u>	<u>\$ 101,747</u>	<u>\$ -</u>
<b>Fund Balance/Net Assets</b>				
Fund Balances				
Designated for building	43,000	(43,000)	-	-
Undesignated	116,813	(116,813)	-	-
Total fund equities	<u>159,813</u>	<u>(159,813)</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 261,560</u>			
<b>Net Assets</b>				
Invested in Capital Assets- Net of Related Debt		165,348	165,348	
Unrestricted		159,813	159,813	168,909
Total Net Assets		<u>\$ 325,161</u>	<u>\$ 325,161</u>	<u>\$ 168,909</u>

The accompanying notes are an integral part of this statement.

Augusta-Ross District Library  
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund  
Balance/Statement of Activities  
Year ended December 31, 2004

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities	Component Unit Expendable Trust
Revenues:				
Property taxes	\$ 98,160	\$ -	\$ 98,160	\$ -
State grants	4,429	-	4,429	-
Fines and forfeits	19,826	-	19,826	-
Contributions	5,143	-	5,143	-
Investment return	4,222	-	4,222	6,799
Other revenue	103	-	103	-
TOTAL REVENUES	131,883	-	131,883	6,799
Expenditures:				
Salaries and wages	73,495	-	73,495	-
Payroll taxes	7,683	-	7,683	-
Books and related materials	20,960	(20,960)	-	-
Supplies	5,310	-	5,310	-
Board expense	5,905	-	5,905	-
Repairs and maintenance	9,043	-	9,043	-
Insurance	3,392	-	3,392	-
Telephone	3,220	-	3,220	-
Utilities	4,534	-	4,534	-
Capital outlay	2,629	(2,629)	-	-
Depreciation	-	21,756	21,756	-
Miscellaneous	4,667	-	4,667	-
TOTAL EXPENDITURES	140,838	(1,833)	139,005	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,955)	1,833	(7,122)	6,799
Fund balances - January 1	168,768	163,515	332,283	162,110
Fund balances - December 31	\$ 159,813	165,348	325,161	168,909

The accompanying notes are an integral part of this statement.



Augusta-Ross District Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Augusta-Ross District Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Augusta-Ross District Library:

1. Reporting Entity

The Augusta-Ross Township District Library (District Library) was established by joint resolution of the Township of Ross and the Village of Augusta. In accordance with generally accepted accounting principles, there is a component unit to be included in these financial statements.

Discretely-presented component unit - The component unit columns in the financial statements include the financial data of the Ella Dole McKay Memorial Fund, an expendable trust. The trust agreement names the Library as the sole beneficiary of the trust. The Library is entitled to interest and dividends on a current basis and may request all or a portion of the remaining assets for capital expenditures. This entity is presented in a separate column to emphasize that it is legally separate from the Library.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Augusta-Ross District Library.

The Statement of Activities demonstrates the degree to which the direct expenses of providing library services are offset by the revenues designated to fund those services. All of the revenues of the Library are intended to pay for those direct expenses.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Augusta-Ross District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation-Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The funds are presented in these financial statements as follows:

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library.

4. Capital Assets

Capital assets, which include property, plant and equipment are reported in the Statement of Net Assets column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$2,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	55 years
Building improvements	15 - 30 years
Land improvements	15 years
Collections	10 years
Equipment	15 years
Furniture and Fixtures	10 - 15 years
Computer Equipment	5 years

Augusta-Ross District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting

The Library follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with Uniform Budgeting and Accounting Act (Act No. 621, Public Acts of 1978) as prescribed by the State of Michigan.

The budget is adopted on a basis consistent with generally accepted accounting principles. The operating budget includes proposed expenditures and the means of financing them. Budgeted amounts are as originally adopted, or as amended by the Library Board as of December 31, 2004.

Appropriations for the general fund lapse at the end of the fiscal year.

6. Encumbrances

Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Library.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

8. Risk Management

The Augusta-Ross District Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Library has purchased commercial insurance for claims relating to general liability, excess liability, physical damage (equipment, buildings and contents) and worker compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

10. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Augusta-Ross District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Cash Equivalents

The Library considers all short-term investments with an original maturity of three months or less to be cash equivalents.

NOTE B - CASH AND INVESTMENTS

The Library's cash at December 31, 2004 was reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash	\$ <u>138,734</u>	\$ <u>138,734</u>	\$ <u>-</u>

At December 31, 2004 the carrying amount of the Library's deposits was \$138,734. The bank balance of the Library's deposits was \$138,807. The bank balance was covered by federal depository insurance.

Investments at December 31, 2004, consist of the following, with separate identification of investments representing 5% or more of total assets:

<u>Investment type</u>	<u>Component unit</u>
Stock	\$ <u>8,932</u>
Nonrisk-categorized:	
Munder Large Cap Value Fund	27,316
Munder Index 500 Fund	20,076
Munder Intermediate Bond Fund	85,404
Other Funds	<u>27,181</u>
	<u>159,977</u>
	\$ <u>168,909</u>

Stock is held in name of the Ella Dole McKay Memorial Fund. The trust document does not place limitations on the type or extent of investment holding.

Augusta-Ross District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2004

NOTE C - CAPITAL ASSETS

Capital asset activity of the Library for the year ended December 31, 2004 was as follows:

	Balance January 1 <u>2004</u>	Addi- tions	Dele- tions	Balance December 31 <u>2004</u>
Governmental Activities				
Capital Assets				
Building	\$ 106,091	\$ -	\$ -	\$ 106,091
Building improvements	27,223	-	-	27,223
Land improvements	8,151	-	-	8,151
Collections	164,678	20,960	16,900	168,738
Equipment	2,230	-	-	2,230
Furniture and Fixtures	66,496	-	-	66,496
Computer Equipment	<u>26,000</u>	<u>2,629</u>	<u>-</u>	<u>28,629</u>
Subtotal	<u>400,869</u>	<u>23,589</u>	<u>16,900</u>	<u>407,558</u>
Less Accumulated Depreciation for				
Building	60,127	1,929	-	62,056
Building improvements	5,638	1,692	-	7,330
Land improvements	815	543	-	1,358
Collections	81,575	15,826	16,900	80,501
Equipment	743	149	-	892
Furniture and Fixtures	62,455	1,355	-	63,810
Computer Equipment	<u>26,000</u>	<u>263</u>	<u>-</u>	<u>26,263</u>
Subtotal	<u>237,353</u>	<u>21,757</u>	<u>16,900</u>	<u>242,210</u>
Governmental Activities Capital Total				
Capital Assets - Net of Depreciation	<u>\$ 163,516</u>	<u>\$ 1,832</u>	<u>\$ -</u>	<u>\$ 165,348</u>

NOTE D - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the Library's actual and budgeted expenditures have been adopted on a functional basis.

This is the same basis for which the budget has been legally adopted.

Augusta-Ross District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2004

NOTE D - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS-CONTINUED

During the year ended December 31, 2004, the Library incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Budget Variance</u>
General Fund			
Miscellaneous	\$ 2,090	\$ 4,667	\$ 2,577

NOTE E - ACCOUNTING AND REPORTING CHANGE - GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments. The Library has applied the provisions of this statement in the accompanying financial statements (including notes to financial statements). The Library has implemented the general provisions of the statement in the current year. Certain significant changes in the statement include the following:

- a. A Management's Discussion and Analysis (MD & A) section providing an analysis of the Library's overall financial position and results of operations
- b. Financial statements prepared using full accrual accounting for all of the Library's activities (Statements of Net Assets/Activities)
- c. A change in the fund financial statements to focus on the major funds
- d. Property, plant and equipment in the Statement of Net Assets includes assets totaling approximately \$408,000 that would previously have been reported in the General Fixed Assets Account Group

Augusta-Ross District Library  
Budgetary Comparison Schedule-General Fund  
Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	168,768	168,768	168,768	-
Resources (Inflows)				
Property taxes	85,000	98,160	98,160	-
State grants	2,300	10,787	4,429	(6,358)
Fines and forfeits	22,750	19,826	19,826	-
Contributions	3,500	5,138	5,143	5
Interest	2,000	2,076	4,222	2,146
Other revenue	200	103	103	-
Amounts Available for Appropriation	284,518	304,858	300,651	(4,207)
Charges to Appropriations (Outflows)				
Salaries and wages	79,300	76,300	73,495	2,805
Payroll taxes	5,700	27,765	7,683	20,082
Books and related materials	19,000	21,000	20,960	40
Supplies	4,000	5,310	5,310	-
Board expense	4,200	6,000	5,905	95
Repairs and maintenance	3,500	9,050	9,043	7
Insurance	850	3,400	3,392	8
Telephone	4,600	3,250	3,220	30
Utilities	5,000	4,550	4,534	16
Capital outlay	5,500	5,700	2,629	3,071
Miscellaneous	1,350	2,090	4,667	(2,577)
Total Charges to Appropriations	133,000	164,415	140,838	23,577
Budgetary Fund Balance-December 31	151,518	140,443	159,813	19,370

The accompanying notes are an integral part of this statement.

**CALVIN MEEUSEN COMPANY, C.P.A., PLLC**

**CALVIN D. MEEUSEN  
CERTIFIED PUBLIC ACCOUNTANT**

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June 6, 2005

Members of the Library Board  
Augusta-Ross District Library  
Augusta, Michigan

In connection with my examination of the statement of net assets of the Augusta-Ross District Library as of December 31, 2004 and the related statement of activities for the year then ended, I have reviewed the accounting policies and procedures employed by the Library and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the Augusta-Ross District Library for the year ended December 31, 2004, and have issued my report thereon dated June 6, 2005. As part of my examination, I made a study and evaluation of the system of internal accounting control of the Augusta-Ross District Library to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". The purpose of my study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the Augusta-Ross District Library is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting procedures.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Library taken as a whole. However, I noted certain matters that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the organization's



ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The size of the Library's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Library Board continue to take an active role in the financial affairs of the Library to provide oversight and independent review functions.

Library management should cross-train personnel to ensure that the computerized or manual accounting records would be properly maintained in the event of illness, vacation, or other extended absence.

This report is intended solely for the use of management and the State of Michigan, Michigan Department of Treasury, and should not be used for any other purpose.

In conclusion, I wish to state that I have had excellent cooperation from all personnel involved in the recordkeeping area and look forward to more of the same from them in the future. These comments and recommendations are intended to be only of a constructive nature as I am sure they will continue to improve your accounting system. I would be available at any time in order to discuss these comments and recommendations.

Respectfully submitted,

 C.P.A. PLLC

Calvin D. Meeusen, C.P.A.